FRACTIONAL RESERVE BANKING AS ECONOMIC PARASITISM

Privately owned money expansion is equivalent to a surreptitious, state-sanctioned plundering of money-holder wealth by private bankers, and is an insidious yet real and ubiquitous system of economic parasitism.

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A SCIENTIFIC, MATHEMATICAL and HISTORICAL EXPOSÉ, CRITIQUE and MANIFESTO

INTRODUCTION

The dynamics of money is an extremely complicated subject. It's a foremost preoccupation of humans, as in the way money system mechanics is intricately woven into major plotlines of complex and influential popular fiction works such as Rand's *Atlas Shrugged*[1] and Stephenson's *Cryptonomicon.*[2] Extrapolated, it even becomes a "social energy system" theme in more futuristic or outlandish forms, such as that emerging from the popular science fiction movie *The Matrix*.[3]

Possibly the full leverage of focused worldwide scientific inquiry and attention has yet to be applied to economics. Some evidence that the science is still in its infancy is that new fields of "economic physics" or "econophysics" and "computational finance" (also dubbed "phynance") have been proposed only recently.[4, 5, 6] Physicists are applying statistical and computational modelling techniques to come up with creative, *ad hoc* or highly realistic theories of money flow in, for example, large economies and stock markets.[7] Objective scientific commentators sensitive to these kinds of shifts and trends could easily identify (despite the overused cliché) all the signs of an apparent Kuhnian "paradigm shift"[8] in progress.

The analysis presented here is heavily dependent in places on the economy-as-ecosystem concept and mostly takes it as unequivocally justified and virtually proven, even though it is not a common perspective among mainstream economists and the underlying research agenda is clearly only beginning. Nevertheless, building on it, an important additional theme proposed and explored here is that of *economic parasitism.*

A BRIEF HISTORY OF MONEY

Paper money was not used by Europeans until the Middle Ages; its introduction in that era was partly due to the discovery of its successful use in China by Marco Polo in the 13th century. The Greeks and Romans used coins.

It is useful here to review some standard terminologies (see, e.g., Griffin[9] and Naylor[10]):

- **Commodity money** – money that is made out of a commodity, e.g., typically a precious metal, either gold or silver, i.e., coins.
- **Receipt money** – also called "fully backed commodity money".[11] A goldsmith or banker issues paper receipts or certificates always redeemable for an exact quantity of precious metal, and the receipts may be traded independently.
- **Fractional money** – money that is backed by reserves or a commodity at only a fraction of the face value. It's also called "fractionally backed commodity money"[12] and "bank money" or "book credit".[13] For purposes here, the exact fraction is considered to be fixed in perpetuity.
- **Fiat money** – money that is declared (sole) "legal tender" by a government, with no specifically guaranteed reserve or commodity backing; or, for purposes here, money denomination associated with arbitrarily permissible manipulation, or variation of total available quantity, via mere accounting changes unrelated to precise reserves or backing (made by the money controlling and tracking authority, not necessarily the same as the government), rather than any fixed commitment to any fraction of reserves or backing.
- **Paper money** – For purposes here, money in the form of paper notes, i.e., "banknotes". Depending on backing, it could be receipt, fractional or fiat money. Many

authors use it as a synonym for fractional or fiat money to contrast it with commodity money.

• **Electronic money** – For purposes here, money as reduced to an abstract accounting process involving abstract currency-units, or "blips", no longer requiring a physical medium for transfer. It is also called "digital cash" or "cybercash". Depending on backing, it could be receipt, fractional or fiat money.

In basic so-called "economics" history (e.g., as Griffin[14] and Rothbard,[15] e.g., explain), money ostensibly issued as receipt money to depositors was often surreptitiously, clandestinely or illicitly corrupted into fractional or fiat money by bankers. The bankers found they could temporarily lend out additional pseudo-certificates exceeding their collected inventory of gold and collect interest on these loans. Rothbard notes that this practice was ruled legal by courts in some historical cases. Griffin asserts this practice invariably leads to an inherently unstable money system and periodic runs on banks, with many historical examples to make his case. Griffin also asserts that fiat money always leads to hyperinflation and worthless currency. These views are reappraised here with slightly different conclusions.

Debasement, Counterfeiting and Embezzlement

Immediately upon any inquiry into money, the topics of *debasement* and *counterfeiting* arise. Someone can take a gold coin, clip or shave it down and pass on that coin, or create entirely fake coins with no gold content. Complicating the picture is that the government itself may adopt debasement of the currency as an official state policy! Many authors have blurred these cases. So, a strict definition of these different forms of debasement is required:

• **Counterfeiting** – The outlawed, criminal practice of debasing the currency or creating fraudulent money.

• **Publicly owned money expansion** – At the knowledge, consent and service (and, ultimately, control) of the public citizenry, the government systematically but restrictedly devalues the currency by allocating itself ownership of new, previously unowned/unallocated currency-units (represented by paper banknotes on demand) via the accounting system—implemented as an official policy to generate a revenue stream other than direct taxation, with proceeds spent on legitimate government/public services.

• **Privately owned money expansion** – The situation mentioned above, where, instead, private bankers retain the sole authority (understood to be officially delegated by the government) to control the same currency-unit accounting mechanism and own the associated revenue stream, referred to as "profit" or "revenue" by the bankers' terminology (conceivably with a "cut" going to select depositors and shareholders—or none at all).

Counterfeiting is equivalent to theft. The criminal obtains tangible *assets* as booty in the collective robbery of *all who use the currency*. However, it is not an overt theft that a victim is readily aware of, as it is, say, when their car has been stolen and is missing. *Embezzlement* is more accurate, presuming it is eventually detected!

As is widely understood by economists and the general public, both counterfeiting and publicly owned expansion lead to or, more accurately, *cause* widespread *inflation* of prices and, if uncontrolled, destabilisation of the integrity of the overall money system. Often governments have had draconian laws against counterfeiting practices, regarding them as equivalent to acts of sabotage, treason or war. Some wars have actually been waged partly via the very effective technique of one country's counterfeiting another's currency and "buying" (in actuality, *confiscating*) resources with it. In this sense, it is a *camouflaged seizure of assets*, or *economic warfare*. Whereas pillaging is sometimes the goal of warfare, counterfeiting permits an *invisible* pillaging with no arms or army required!

The third case above, privately owned money expansion, is not so sharply delineated in the economics literature or popular treatments and is typically mixed up with the other two cases. This is a catastrophic error, as will be considered below. For reference, call this the *cui bono, caveat emptor* error (Latin for "Who benefits? Let the buyer beware!").

The above account hides further detail and mixes terminology based on the modern perspective.

> **"By this means, government may, secretly and unobserved, confiscate the wealth of the people, and not one man in a million will detect the theft."**
>
> — John Maynard Keynes

Two Banking Systems: Central and Noncentral

From the historical standpoint, a nation can have two kinds of banking or money systems:

• **Centralised banking** – A universal, standardised, official government currency is controlled and issued by a *central bank.*

• **Noncentralised banking** – Different banks may issue their own receipt money as currency, also called "banknotes". The different banknotes circulate simultaneously in the overall economy.

Worldwide, most nations now have their own central banks, at the end of a long history of complex economic and political events. American and international history has involved eras of alternation between centralised and noncentralised banking systems; currently, the US has centralised banking.

In the United States, the central bank is known as the Federal Reserve; it was established in 1913. Note that *a central bank may be either publicly owned or privately owned.* However, despite its name and management protocols, *the US Federal Reserve is privately owned.* The assumption that a central bank is always publicly owned is the same *cui bono caveat emptor* error.

Seigniorage

In economics literature, the word "seigniorage" is typically used as a synonym for money expansion. Seigniorage is revenue or a profit taken from the minting of coins, usually the difference between the value of the bullion used and the face value of the coin.

In a fractional money system, the mechanism for money expansion is different (not associated with minting coins) but with the same effect.

Here, a very careful distinction must be made. The following are *separate and distinct*, but they are sometimes confused by neophytes or are unclear in some accounts. The terminology is somewhat arbitrary (remarkably, there does not seem to be a standard terminology devised by other commentators).

• **Straight borrowing** – A government borrows money via issuing bills or bonds at a discount on face value, promising to repay the purchaser the face value at some specified date in the future. The interest rate is the difference between the face value and the purchase price. Money accounting totals are strictly tied to actual reserves or revenue. As an example, US state governments use straight borrowing.

• **Expansion borrowing** – The government may also borrow via money expansion, with newly allocated currency units functioning as national economy shares that are either publicly or privately owned. The money accounting totals are divorced from direct relation to actual reserves or revenue, under the control and ownership of the money manipulation authority. Virtually all national governments use expansion borrowing. Even though, in this case, the standard overt procedure of "selling a bond" seems identical to the prior case of government borrowing, the underlying mechanisms and effects of the transaction are *fundamentally different*.

Note that both cases involve a "shortfall of funds", but the first case does *not* constitute seigniorage whereas the second does. If a government's expenditures exceed revenue (government revenue is generally from taxes), it can make up some difference via borrowing such that additional funds become available via a free-market loan by bond-holders. Demand for these bonds is mainly tied to the interest rate offered by the government; higher interest rates spur higher demand. However, even after the "auction of debt", the additional available borrowed funds may still be inadequate to cover a budget deficit fully. In that case, another last resort (other than raising bond interest rates) is *money expansion*. Hence the latter case can be considered, in a sense, a "double shortfall" (a shortfall of demand or of buyers agreeing to loans).

"Thus, our national circulating medium is now at the mercy of loan transactions of banks, which lend not money but promises to supply money they do not possess."

— Irving Fisher (1936)

A further key distinction must be made on money expansion. A bank may lend funds either to individuals or to the government. In the former case, typically the "noncentral" bank lends funds deposited by other individuals. In the latter case, typically the government borrows money from the nation's central bank, which controls issuance of the nation's currency; that is, when the bank buys government bonds. In either case, if the bank has assets on deposit equivalent to the borrowed funds, it's "straight borrowing". If only a fraction of the loan is backed by assets, it's "expansion borrowing". This latter case is called *fractional reserve banking* (or lending, or borrowing). The fraction of deposits to loans that a bank is required to hold is called the *reserve requirement*.

Hence money expansion can be localised to a given bank's own banknotes in the noncentral system, or affect the entire nation's currency in the case of a central bank. In terms of the *cui bono, caveat emptor* error, most economics literature does not apply or blurs the concept of the central bank's owning assets to back the government loans, not using the idea of a "reserve requirement" relative to it.

The above establishes an important direct correspondence between *commodity or receipt money* and straight borrowing, and *fractional or fiat money* and expansion borrowing. Moreover, the two types may be practised by either noncentral banks or a central bank. The banks may further be either publicly owned or privately owned. An even more precise distinction requires more sophistication than this overview and is pursued further below.

In economics literature and popular accounts, the following two cases are also not always carefully distinguished. Current prices in an economy may shift under two *separate, distinct* key factors:

• **Supply and demand** – Demand for a particular good or service may fluctuate due to changing economic conditions. This is the "invisible hand" of Adam Smith's theory. The value or demand of the underlying assets has changed.

• **Money manipulation** – Wherever there is not a strict policy commitment by the monetary authority to a one-to-one or invariable accounting relation between money units and assets (i.e., basically fiat money, or other systems corrupted into fiat money, maybe advertised or feigned otherwise), the total money units can be arbitrarily modified or varied under the title of "money expansion". The intrinsic value or demand of the underlying assets is not changed.

Adjustments in conventional taxes, on the other hand, have uneven and unpredictable effects which are notoriously difficult to anticipate by government agencies, politicians, legislatures, experts, economists and the public alike.

The economist Keynes helped analyse the process of publicly owned money expansion and considered the ensuing inflation as a pernicious "hidden tax" on the masses. However, many monetary reformists have proposed publicly owned money expansion as a very useful means of taxation superior to alternatives, *presuming it is limited and erected with the full knowledge and political consent of citizens* (see, for example, Gause[16]). Via such a system:

• The state can obtain spendable revenue that requires no vast, complex and cumbersome accounting system in the way the income tax, for example, does.

• It also is an extremely uniform taxation system, representing a per cent of every dollar in circulation, in contrast to every reported dollar or every dollar in only particular types of transactions. Conventional taxes, on the other hand, have uneven effects which are notoriously difficult to anticipate by a legislature.

• Tax evasion is essentially impossible under publicly owned money expansion—precisely as inescapable as inflation!

Privately Owned Money Expansion

Consider the strange worldwide case of privately owned money expansion. Here, a private bank is allowed to issue banknotes based on fractional reserves, i.e., lend out more money than it has in reserves, either to a government or to citizens. The idea of money expansion as equivalent to a fractional reserve system is not an explicit observation of modern economics, but it's transparently identical.

With straight borrowing, a lender provides immediate *money-energy* in return for the money-energy returned plus a fee at a future time. (That fee, "interest", may therefore be regarded as the price or market rate of instantaneous money-energy per repayment time.) But by the money-energy conservation principle, *no money-energy is provided by the lender via privately owned money expansion*; this holds regardless of changes in GDP. The "illusory" money-energy that is spent by the borrower is accumulated via the depreciated value of the lender's fractional money—inflation. *Ergo, pseudo-lending.*

In short, in this situation, all money-holders' assets denominated in terms of the banknotes depreciate relative to the ratio of banknotes issued to the bank's assets. If the banknotes are universally standardised as with a central bank (i.e., legislated as the [sole] "official legal tender), then for simplicity the three distinct groups (a) "money-holders", (b) "taxpayers", (c) "citizens" can all be taken to overlap and be roughly interchangeable.

Even more shocking, in the modern, privately owned money-expansion system, the lending bank is essentially allowed to count the "loan" as an *asset, immediately*, and is not required to wait until the end of the repayment period of the pseudo-loan to do so. Hence debt is "monetised" as a "security".

BLIP CORRUPTION

Over the centuries, many commentators and authorities have struggled to articulate these ideas using vocabulary that itself has been correspondingly debased.

The process of money expansion is typically called "creating money", and the *pseudo-money* that is *pseudo-lent* by the *pseudo-bank* is typically referred to as "credit". But also within the literature, dire confusion or obfuscation reigns on the "razor-sharp" *cui bono, caveat emptor* distinction set out here between publicly owned versus privately owned money expansion. This intellectual error has potentially catastrophic consequences. The former case can be a legitimate means for collection of government revenue. Because of widespread public ignorance, the latter stands currently as *unexposed embezzlement*. The manufacturing of abstract credit is a means for *real wealth extraction!*

Banking authorities make a distinction between deposits and loans in the same way they distinguish between money and credit. In the nonphysical fractional reserve blip-based money system, the distinction is invalid. *Creation of credit is equivalent to the creation of money.* Whoever has or is given the authority to create credit has the authority to extract wealth from the economy by that same mechanism. Moreover, there is no meaningful distinction between fractional reserve banking and money expansion.

The analogy of counterfeiting looms large, as the mathematics reveals [covered elsewhere in the full paper; Ed.]. In many ways, the only difference between illegal counterfeiting and legal, privately owned money expansion is that gains by the recipient in the latter case are officially sanctioned, not indiscriminate, and limited based on the expansion rate. Therefore, paradoxically, privately owned money expansion is basically equivalent to legalised counterfeiting, i.e., *a surreptitious, state-sanctioned plundering of money-holder wealth by private bankers!*

Perhaps the simplest explanation for this situation is that *new shares of the economy are issued, but they are owned by private bankers at the expense of the ownership by all other shareholders* (i.e., money-holders, taxpayers, citizens). Via mere money manipulation, the private bankers own a greater real share of the entire economy (e.g., GDP denominated in dollars). Hence the term "money stock" takes on a new meaning!

The tragic absurdity of the situation has reached epic proportions worldwide. All the complex economic theory, terminology and mathematics could simply be dropped for the following explanation. The government has delegated its responsibility of ensuring public monetary integrity to private bankers. But the arrangement has devolved and degenerated to negligence and abdication. Those bankers have reneged on the implicit promise of providing monetary integrity. Their system correctly meticulously keeps track of "blip" ownership and its transfer, except that, via the delegated ownership and administration of the blip system, and under the guise of *specious, distorted and flawed economic science*, the bankers can arbitrarily and unrestrictedly create and own new "blips", and thereby a greater share of real national wealth!

What has occurred is an unequivocal *corruption* in the integrity of the money. Money is a representation means for *scarcity*. Holders utilise it precisely for that property. Any entity that can allocate scarcity units without exerting economic work by definition has debased the scarcity units relative to all other holders; the units are not scarce for the embezzler. Somewhere along the line, the implicit promise of integrity has been *trashed*.

The holders of the scarcity units determine the definition of economic work. Legitimate government services are included. The government is established partly to protect scarcity unit ownership and regulate legal and illegal scarcity unit transfer. Privately owned expansion is equivalent to siphoning or *leeching* of money-energy, with dollar-holders "left out in the cold".

"The money power preys on the nation in times of peace, and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes."

— Abraham Lincoln

ECONOMIC PARASITISM

Mere belief in a religion may have a relatively innocuous effect on practitioners if it doesn't demand major "sacrifices"—except that, as history shouts, economic policy according to superstition is inescapably disastrous. Slavery, in contrast, is today regarded as a moral horror or even poison. But even these disturbing charges may pale in capturing the accurate reality of a corrupt blip system.

Smith noted an "invisible hand", Keynes noted the "invisible tax", and prior sections of this paper [not reprinted here; Ed.] considered the possibility of an "invisible caste system" promoting "invisible slavery". Invisibility can be especially treacherous. A more diabolical metaphor is required.

Invisibility is a common theme in the earlier descriptions. Rothschild noted the "class of the few who can understand the system, interested in its profits, or so dependent on its favours". Abraham Lincoln referred to the "money power that conspires and preys on the state". ("Conspire" means "to plan together secretly to commit an illegal or wrongful act or accomplish a legal purpose through illegal action".) In the strongest indictment possible, Thomas Jefferson referred to "maniacal, delusional, corrupt, swindling bank-mongers". Jefferson attempted to make a careful distinction between banks with seigniorage fees and those practising fractional reserve banking via "foisting their own paper into circulation, and thus banishing our cash". Alan Greenspan referred to money debasement as "an insidious process".[17]

What these accounts all have in common is an attempt to distinguish legitimate from illegitimate banking practices, and the contents of this paper are designed to nail down that dichotomy even further via mathematical precision. But they are also referring to a sort of "hidden alien force" that transcends the existing conceptual boundaries of government and banking.

They warn of it as an almost indescribably dangerous phenomenon, almost an entity. Earlier in this paper [section not reprinted here; Ed.] this was referred to as the "mechanisms, elements and agendas capable of, and at times applying, money-energy extraction without consent of money-holders via concealment within the money system administration" that may reside in either government or banking institutions. (To borrow Eisenhower's neologism on the "military–industrial complex", call it the "government–banking complex".) Along these lines, privately owned expansion was also concluded to be a *leeching*.

These accounts all converge to describing *parasitism*. Hence, insight from biology on parasites becomes relevant and applicable. A parasite is "an organism that grows, feeds and is sheltered on or in a different organism while contributing nothing to the survival of its host".

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The idea of parasitism in economics or society is millennia old (an alternative meaning of "parasite" as "a professional dinner guest" dates to the Greek era!), but historically was typically applied to people who refused or evaded work. Zimmer[18] gives a colourful overview in his chapter, "Nature's Criminals", that weaves from ancient to modern times with stops at Darwinism and even Nazism. The idea of wealth-owners as parasites is a more recent invention.

The standard form of worldwide fractional reserve banking is synonymous with privately owned money expansion. It is not generally regarded as harmful; in fact, it is seen as intrinsic to the institution of banking. But by the prior mathematical findings, it inequitably leeches money-energy from all citizens, taxpayers and money-holders. Therefore, fundamentally, *fractional reserve banking is equivalent to economic parasitism*.

From the prior analysis, one immediate question is: how could a privately owned money expansion system possibly have been erected?

As Griffin,[19] Mullins[20] and many others have accused, *the Federal Reserve was erected surreptitiously, clandestinely and possibly even via subterfuge(s)*. Griffin refers to the Federal Reserve as "The Creature from Jekyll Island", where the scheme of its founding was hatched in collusion and strict secrecy in 1910 among the world's most powerful bankers of the time. The "creature" is a *parasite*. Jefferson's "tribe of bank-mongers", Adams's "moneychangers", Lincoln's "money power", Garfield's "absolute master of all industry and commerce", Rothschild's "class of the few who can understand the system…so dependent on its favours", Greenspan's "welfare state" and Griffin's "creature" are all simply describing the parasite attaching to the host organism—the government banking complex—while evading its normal defence mechanisms such as open legislative hearings, public review and debate, expert scrutiny, etc.

For purposes here, the hypothetical entity will now be called "the money parasite". Jefferson warned in his time that "it has seized by its delusions and corruptions all the members of our governments, general, special and individual". So, has it survived?

Griffin[21] summarises the strategy of the Jekyll Island colluders who founded the Federal Reserve as "to convince Congress and the public that the establishment of a banking cartel was, somehow, a measure to protect the public". The plan was one of bait-switching, distraction, diversion, even deception:

1. Do not call it a cartel nor even a central bank.

2. Make it look like a government agency.

3. Establish regional branches to create the appearance of decentralisation, not dominated by Wall Street banks.

4. Begin with a conservative structure including sound banking principles, knowing that the provisions can be quietly altered or removed in subsequent years.

5. Use the anger caused by recent panics and bank failures to create popular demand for monetary reform.

6. Offer the Jekyll Island plan as though it were in response to that need.

7. Employ university professors to give the plan the appearance of academic approval.

8. Speak out *against* the plan to convince the public that Wall Street bankers do not want it.

What Griffin is describing is a *stealth invasion by the money parasite into the government–banking complex host body*, based on subtle sabotage of its social defence mechanisms via diversion, distraction and deception. The integrity of legitimate banking and government institutions is debased exactly in parallel to the money itself. The quasi-government, quasi-bank netherworld duality serves as a subterfuge to evade the established checks and balances within either system.

Smoke and Mirrors, Sleight of Hand

Joseph Stiglitz is the former Chief Economist for the World Bank and International Monetary Fund (IMF). He resigned, or was fired, from the World Bank in 1999 over his ideological differences. In 2001, he shared the Nobel Prize for Economics. After disillusionment over the effects of the IMF's policies, he went public that same year with scathing criticisms that reverberated through the world's media. He outlined a four-step process by which a developing country is ravaged by the influx of capital, aided and abetted by the IMF. He described the process as "squeezing the last drop of blood out of them".[22]

This case depicts an epic break in the status quo of economists.[23] The IMF and World Bank can be compared to an international financial rescue agency—much like an economic "doctor". Stiglitz is asserting that its prescription is always for bloodletting via leeches. In a word, *parasitism*. Moreover, he rejected any supposed or purported fundamental rationality of the policy and concluded the ideological underpinnings were corrupt from inception. In other words, there was no legitimate economic science behind the practices, or whatever existing economic justification used was a sham. As reporter Greg Palast writes:[24]

> *Stiglitz has two concerns about the IMF/World Bank plans. First, he says because the plans are devised in secrecy and driven by an absolutist ideology, never open for discourse or dissent, they "undermine democracy". Second, they don't work…*

Ultimately, what drove him to put his job on the line was the failure of the banks and US Treasury to change course when confronted with the crises, failures, and suffering perpetrated by their four-step monetarist mambo.

Other examples of "dissension within the ranks" of economists are easily spotted. Friedman is one of the most vocal and influential economists who has focused on and been critical of monetary expansion policies.[25] He's also attempted to convey to the public the intrinsic relationship between monetary expansion and inflation. His approach can be seen as a strong rejection of the Keynesianism that dominated monetary policy in the first half of the the 20th century.

Strangely, even at the end of the "postmodern age" and dawn of the 21st century, bulletproof principles for governing mass world economies via an "economic science" still seem open to constant debate, revision and reversal.

ECONOMIC WARFARE

Earlier it was observed that governments have historically regarded counterfeiting as a treasonous crime. Counterfeiting can destroy the economic integrity and vitality of an entire nation. It can be used as a mechanism of state sabotage, and it is even regarded as an act of war if advanced by one country on another.

Widespread counterfeiting, lawlessness and anarchy are sometimes the historical progression of collapsing empires. Indeed, M. A. Rothschild asserted, "Let me issue and control a nation's money and I care not who makes its laws".

By all the previous verbiage, the difference between counterfeiting and money issuance can be a very subtle matter—"razor sharp". For purposes here, we loosely define "economic warfare" as "state-sponsored counterfeiting used as a means of seizure of assets and establishing control over another country."

The metaphor of "invisible slavery" was applied earlier to economic parasitism. Economic warfare likewise can have the very treacherous property of invisibility. If a nation's currency is being counterfeited without detection, *or assets seized and control lost via an equivalent process*, it seems equivalent to a means of waging invisible warfare.

Now, suppose that two private banks, A and B, are competing to extract money-energy from a given economy. Suppose that the owners of bank A manage to incite clandestinely a run on the reserves of bank B by its depositors, such as by spreading rumours of collapse. Bank B fails, and its assets then may come under the control of bank A. If undetected, bank A appears to have successfully waged "economic warfare" against bank B by attacking and seizing "economic territory".

Such attack is not necessarily limited to collapses. Bank B may not totally fail due to the run, but be significantly weakened from a decline in its reserves from withdrawals. The economic leverage of bank A is still commensurately increased. In a sense, bank B's money has been undermined from an economic oscillation. On a smaller scale, exactly the same principle is involved in numerous real, identified and illegal "pump-and-dump" stocktrading scams regularly investigated by the Securities Exchange Commission.

Substitute "nation A, B" for "bank A, B", "national currencies" for "bank deposits", and this gives the theoretical background of a worldwide economic warfare technique. Moreover, if the losses are made up by taxpayers, it essentially becomes *state financed*. Bailouts may fail dangerously to address the core disease and maybe even unintentionally *mask or promote it*.

The analogy applies on international levels. Different nations have currencies that are backed by their reserves. Nations become analogous to individual banks in a larger world economy. Currency exchange rates are a measure of the *leverage* of one currency against another. If a nation expands the circulation of its own fractionally backed money outside its borders, this is totally analogous to banks that increase circulation of their debased money. This means that *one nation can seize the assets of another, based on money manipulation.*

Now, note the basic parallel between a collapse of a bank due to a run, and mass failure or default of loans made by the bank. Suppose corrupt private bank C lends mass funds to an accomplice D; then D defaults, but with kickbacks to C. The government bails out the "failed" loans of bank C.

These are extremely crucial, initially counterintuitive situations to observe. Bank failures, bailouts, loans or aid can be *disguised weaponry for waging economic warfare* against either domestic or foreign citizens and governments by a supranational piratical cartel system independent of and inimical to all of them.

Moreover, *government-funded bank bailouts may have the unintended effect of feeding the money parasite.*

These are the money system analogues of *infiltration of the government–banking complex's immune system.*

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a monied aristocracy that has set the government at defiance. The issuing power [of money] should be taken away from the banks and restored to the people to whom it properly belongs."

— Thomas Jefferson

Hence large-scale currency machinations, especially during "crisis situations" such as "currency swaps" tied with foreign money devaluations by the Federal Reserve, can be seen as weapons for waging mass worldwide economic warfare—the invisible annexation of foreign assets.

In 1970, the IMF created a new monetary unit called the SDR, or "Special Drawing Right". Griffin quotes author Dennis Turner:[26]

> *SDRs are turned into loans to Third World nations by the creation of checking accounts in the commercial or central banks of the member nations in the name of the debtor governments. These bank accounts are created out of thin air. The IMF creates dollars, francs, pounds or other hard currency and gives them to a Third World dictator, with inflation resulting in the country where the currency originated… Inflation is caused in the industrialized nations while wealth is transferred from the general public to the debtor country. And the debtor doesn't repay.*

Turner is simply describing the process of fractional reserve banking as a tool for money parasitism used by the IMF on an *international* scale. By definition, international money parasitism wages economic warfare. But equivalently, such a situation can be regarded as a *domestic invasion and subjugation by an invisible foreign army*—from the host's perspective, the very definition of attack by a parasite.

"Four steps to damnation"

Possibly the single most extraordinary, *damning* item of circumstantial evidence for the existence of an organised economic warfare program is the document called *Silent Weapons for Quiet Wars*.[28] This very narrowly known document purports to be a training manual for the science of "quiet wars" waged against the populace. It includes amazing scientific and mathematical descriptions very similar to the prior sections [not reprinted here; Ed.]. It has much material relating to "debilitated host psychology", using the depiction adopted here.

The document has never been widely published anywhere except in very obscure locations and on the Internet. The scientific community seems to be unaware of it or ignoring it. It's been circulated in small circles for at least a decade, though the author is unknown. Any serious researcher looking into economic slavery, parasitism or warfare must be absolutely familiar with the manual. However, since its legitimacy and authenticity are so easily questioned by the literal minded, it cannot serve as any form of definite evidence. Other avenues must be pursued to make the case for economic warfare.

One excellent recent item along these lines is the incendiary article, "IMF's four steps to damnation", by reporter Greg Palast.[29]

During an IMF conference in Washington in 2001, he interviewed former World Bank and IMF Chief Economist Joseph Stiglitz. Stiglitz openly charges that the lending program is really one accomplishing economic subjugation not unlike colonialism, only that it is implemented economically rather than militarily. He has reduced the IMF *modus operandi* relative to developing nations, describing it by more-religious capitalist doublespeak:

- **Privatisation** – State industries are sold off after the countries shave billions off the prices of electricity and water companies, with "commissions" (kickbacks) going to the country's politicians.
- **Market liberalisation** – Stiglitz refers to this as the "hot money" cycle. Cash comes in for real estate and currency speculation and then "flees at the first whiff of trouble". The nation's reserves that back the currency are drained sometimes in days. The IMF demands the nations raise interest rates to the astronomical ranges of 30 to 80 per cent.
- **Market-based pricing** – The nation is required by the IMF to raise prices on the staples of food, water and cooking gas. This has a disproportionately heavy cost on the poor.
- **Social unrest** – Also known as "the IMF riot". Step "three and a half" occurs at this point, as the IMF "squeezes the last drop of blood out of them, turning up the heat until the whole cauldron blows up" when food and fuel subsidies for the poor are eliminated (Indonesian riots, 1998; Bolivia, 2000; Ecuador, 2001). Secret IMF plans coldly anticipate the likely "social unrest".
- **Free trade** – Free trade by the rules of the World Trade Organization and the World Bank is analogous to the Opium Wars. Trade barriers are knocked down in foreign countries, but with financial blockades in return.

"In essence, these countries end up buying back their own money, but at incredibly high rates. And this is just the beginning of the IMF's involvement."

— Gregory Palast[27]

The consistently recurring riot stage noted by Stiglitz is evidence of the *link between money parasitism, violence and destruction*. In overt warfare, armies engage in bloody confrontations on a battlefield. In covert economic warfare, a riot may be seen as a *symptom of or reaction to the invisible invasion.*

High Crimes and Treason

If a covert plan of economic warfare has been waged, it may have international rather than mere national implications, as various commentators have charged. Counterfeiting on a national level is a treasonous crime against that nation. However, it seems reasonable to classify international-scale economic warfare as a "crime against humanity". Accusations on this level have been made by US Senators on several occasions.

Senator James Traficant entered a vocal (not legal) indictment against international agencies and the Federal Reserve into the Congressional Record in 1993, referring to *undeclared economic war and economic slavery*:[30]

> *Federal Reserve Notes (FRNs) are unsigned checks written on a closed account. FRNs are an inflatable paper system designed to create debt through inflation (devaluation of currency). Whenever there is an increase of the supply of a money substitute in the economy without a corresponding increase in the gold and silver backing, inflation occurs... The Federal Reserve Bank who controls the supply and movement of FRNs has everybody fooled. They have access to an unlimited supply of FRNs, paying only for the printing costs of what they need.*
>
> *The receivers of the United States Bankruptcy are the International Bankers, via the United Nations, the World Bank and the International Monetary Fund... This is an undeclared economic war, bankruptcy, and economic slavery of the most corrupt order!*

An extremely extensive accusation of about 13,000 words was entered into Congressional Record by Representative Louis T. McFadden in 1934:[31]

> *Mr Chairman, we have in this Country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks, hereinafter called the Fed. The Fed has cheated the Government of these United States and the people of the United States out of enough money to pay the Nation's debt. The depredations and iniquities of the Fed have cost enough money to pay the National debt several times over.*
>
> *This evil institution has impoverished and ruined the people of these United States, has bankrupted itself, and has practically bankrupted our Government. It has done this through the defects of the law under which it operates, through the maladministration of that law by the Fed and through the corrupt practices of the moneyed vultures who control it.*

Speaking at the height of the US Great Depression, McFadden gave ample historical information that mirrors Griffin's account.[32] McFadden asserted that the foreign bankers used the system to finance and foment entire wars. He insinuated that there was a covert agenda to create "a superstate controlled by international bankers and international industrialists acting together to enslave the world for their own pleasure". "I do not like to see vivisections performed on human beings," he said.

McFadden had a thorough listing of crimes and individuals he charged. He said, "I charge them, jointly and severally, with the crime of having treasonably conspired and acted against the peace and security of the US and with having treasonably conspired to destroy constitutional Government in the US".

McFadden was Chairman of the House Banking and Currency Committee for a 10-year period and survived two apparent assassination attempts. By some accounts, McFadden died in "suspicious circumstances" in 1936.

If "international bankers" have indeed extracted vast fortunes from the United States and other countries globally, one might guess they have erected vast, hidden, economic empires. Such financial empires certainly exist and are documented and acknowledged, but obviously not as any entrenched international parasitic system.[33, 34]

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TOWARDS FULL INTEGRITY

An extraordinary problem with money parasitism is that, arguably, laws against "money laundering" could conceivably be construed as *parasitism enforcement mechanisms*. So, increasingly draconian measures to track all privately circulating currency are installed, such as in the US by the secret agency known as FinCen, as profiled in *Wired* Magazine by Anthony Kimery in his 1993 article, "Big Brother wants to look in your bank account".[35] Similarly, the European Parliament investigated the use of the NSA's (US National Security Agency) worldwide *Echelon* electronic surveillance system against charges of *economic espionage*.[36]

Some innovators are proposing and erecting new money systems that are locally oriented and community based.[37, 38, 39] That is certainly a strong possibility, but again they may be illegal by invasive state laws that require reporting both gifts and barter transactions and subjecting both to taxation.

A parasitic money system fundamentally has three major requirements that are arguably now already fully installed worldwide: (a) any money must be exclusively in the form of the state-authorised currency; (b) all economic transactions are subject to taxation; and (c) loss of government control over the central bank.

Ultimately, the issue largely comes down to whether individuals have the *right to make economic transactions between themselves, free of state surveillance or interference*.

US and international laws and legal administrations currently do not appear to support such a right. Coincidentally, this is precisely the same question surrounding the legitimacy of any taxation, and the same flashpoint for the American Revolution of Independence.

In any case, a new realisation of fractional reserve banking as a kind of *fractional integrity or vitality system* must enter the mass consciousness, along with the full understanding that the modern economic and political systems based on it are therefore deeply and intrinsically flawed—to borrow the informal yet highly descriptive term, *rotten at the core*.

All the associated doublespeak must be discredited and cleared away for any meaningful or widespread changes to occur. Humanity finds itself entering the 21st century with a mediaeval monetary system. Maybe some of its intense energy directed towards technological innovation can be channelled towards a state-of-the-art money system upgrade. Maybe money is the ultimate technological tool of humanity!

It's conceivable that this all hints at a new, previously unrecognised form of energy—say, *monergy*—that might be tamed with the full force of scientific and engineering discipline applied to it. Econophysics shows some promise along these lines, but a new revolutionary realm of science and engineering might be born that merges politics and economics.

Correspondingly, the government–banking complex could merge and evolve into a new institutional system that corrects the present flaws in exactly the same way, e.g., as the well-intentioned, creative and visionary founders of the United States of America attempted in their time. ∞

Editor's Note:
Because of space constraints, we are unable to publish the endnotes that accompany this article. However, they are included with the article on our website, http://www.nexusmagazine.com. Readers who have no Internet access can request a copy of the endnotes from any of our NEXUS offices.

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Vladimir Z. Nuri is thirty-three and lives in Denver, Colorado, USA. He has a Bachelor of Science in software engineering and has designed and written software for over 20 years in many programming languages. He wrote award-winning software for neurobiological experiments and imaging for four years at a university. He has worked in diverse jobs in industry, including with two dotcoms—one specialising in educational software, its shares now publicly traded on the NASDAQ. He specialises in open source, Linux, databases/datamining and web programming.

Mr Nuri has researched the hidden elements of economics over many years, focusing on its aspects as a complex ecosystem or energy machine, involving the property of "efficiency" subject to optimisation and control. His investigations have culminated in this paper, published originally on an Internet economics papers archive in March 2002. In 1998, he founded an email group/blog exploring the role of algorithmics in technology; today it has over 950 subscribers.

Vladimir Nuri's complete 62-page paper, containing much more detailed analysis/research, is freely available at the website http://econpapers.hhs.se/paper/wpawuwpma/0203005.htm. To contact the author, email him at vznuri@yahoo.com.